

## Client Alert

October 20, 2015

**If you read one thing...**

### Candidates Begin to Detail Tax Reform Plans

- As the 2016 presidential race wears on, Republican candidates continue to focus on lowering both individual and corporate tax rates and reducing or eliminating deductions in order to streamline the tax code.
- For Democratic candidates, tax policy continues to take a back seat to other issues; however, candidates continue to favor higher rates for top earners and other policies that favor the middle class.



As the 2016 presidential election cycle rolls on, both Republican and Democratic candidates are beginning to release details of their tax reform plans.

On the Republican side, Donald Trump released more details of his plan, which would reduce individual tax brackets to four and would rely on higher tax rates, as well as reducing or eliminating deductions for wealthier individuals in order to meet revenue needs. Mr. Trump's plan would also reduce the corporate rate to 15 percent and would eliminate the favorable treatment of carried interest. Former Florida Gov. Jeb Bush's (R-FL) plan would similarly reduce the number of individual tax brackets to three, with a maximum rate of 25 percent, while reducing the corporate rate to 20 percent. The governor's plan would reduce, but not eliminate, the carried interest exemption and would double the standard deduction for individuals, as well as expand the Earned Income Tax Credit (EITC). Gov. Bush also recently detailed his health care plans, which would provide tax credits for purchasing health insurance, as well as a \$12,000 cap on the tax exclusion for employer-sponsored health plans.

Former Louisiana Gov. Bobby Jindal (R-LA) released a more aggressive tax plan this month, calling for individual rates of 25, 10 and 2 percent. Gov. Jindal's plan aims to eliminate all deductions, including the standard deduction, as well as the estate tax and the alternative minimum tax. The cornerstone of his plan would be to eliminate taxes on corporate earnings entirely and instead to tax capital gains, dividends and interest at individual rates. Gov. Jindal has stated that he believes that this approach will replace the tax revenue from corporate income with the 25 percent rate on top individual earners.

Ohio Gov. John Kasich (R-OH) is the most recent candidate to reveal his tax plan, a more modest proposal that would lower the top individual tax rate to 28 percent while bringing the maximum corporate rate down to 25 percent. Gov. Kasich would increase the EITC by 10 percent, lower taxes on capital gains

to 15 percent and eliminate all deductions, except for charitable giving and mortgage interest. His plan would also double the research and development credit for businesses that earn under \$20 million a year and would permit the immediate deduction of the full cost of new machinery, equipment and buildings. With respect to taxing foreign earnings, Gov. Kasich would establish an unspecified “low” tax rate for repatriation of foreign earnings and would move the United States to a territorial tax system.

Two Republican candidates, former Texas Gov. Rick Perry (R-TX) and Wisconsin Gov. Scott Walker (R-WI), have already dropped out of the 2016 race.

In the Democratic race, former Secretary of State Hillary Clinton (D-NY) continues to release tax specifics related to her other policy plans. Secretary Clinton has stated that she is open to raising the social security payroll tax cap for higher earners. She has also indicated that she would place a tax on financial transactions intended to curb the practice of high-frequency stock and commodity trading. Secretary Clinton has also said that she would repeal the “Cadillac Tax” on high-end health insurance plans under the Affordable Care Act a sentiment shared by her fellow candidate Sen. Bernie Sanders (I-VT). Former Sen. Lincoln Chafee (D-RI) also released details of his plan, which would create a new 45 percent tax rate for individuals earning over more than \$750,000 per year. Sen. Chafee’s plan would also set a 25 percent rate on capital gains and dividends for those earners.

Despite the lively discussion among Democratic candidates during the first Democratic debate on October 13, 2015, tax policy took a backseat to issues such as foreign policy, gun control and financial regulations. The next Democratic debate will be held in Des Moines, Iowa on November 14, 2015, while the Republican candidates will meet again in Boulder, Colorado on October 28, 2015. Former Sen. Jim Webb (D-VA) announced on October 20, 2015, that he would be dropping out of the Democratic primary race, but signaled he may run as an independent. Additionally, Vice President Biden is expected to make his decision whether to run public this week.

For your further information, attached are updated charts providing additional detail on the tax proposals of the **Democratic** and **Republican** candidates.

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